

General Government
Local Government Economic Assistance Fund

	Revised FY 2006	Requested FY 2007	Requested FY 2008	Recommended FY 2007	Recommended FY 2008
SOURCE OF FUNDS					
General Fund					
Regular Appropriation	41,977,900	49,236,800	46,821,800	52,535,600	51,593,100
Other	10,153,100				
Total General Fund	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
TOTAL SOURCE OF FUNDS	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
EXPENDITURES BY CLASS					
Grants, Loans or Benefits	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
TOTAL EXPENDITURES	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
EXPENDITURES BY FUND SOURCE					
General Fund	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100
TOTAL EXPENDITURES	52,131,000	49,236,800	46,821,800	52,535,600	51,593,100

The Local Government Economic Assistance Fund (LGEAF) (KRS 42.450-42.495), created by the 1980 Regular Session of the General Assembly, is a revenue sharing program that returns a portion of the coal and minerals severance taxes to local governments in areas where the minerals were extracted. These funds are used by those communities to strengthen and “to improve the environment for new industry and to improve the quality of life of the residents”. Counties that are involved in the production of coal or minerals such as natural gas, oil, and stone and cities within those counties are eligible to receive LGEAF payments. Likewise, counties and their cities affected by the transportation of coal are eligible to receive a portion of the returned severance taxes.

The LGEAF coal severance tax program currently returns funds to an estimated 67 counties and approximately 279 cities at the end of each fiscal quarter. Kentucky law provides that an amount equal to 15 percent of the taxes collected annually on the sale and processing of coal minus funds to support the Workers Compensation Funding Commission and the Osteopathic Medicine Scholarship program be transferred to the LGEAF for subsequent allocation and distributed to the localities. Quarterly allocations are made to localities according to such criteria as population, income, the amount and distance coal is transported over local areas, and taxes collected from the county.

The LGEAF minerals severance tax program currently returns funds to 99 counties and approximately 359 cities at the end of each fiscal quarter. Kentucky law provides that an amount equal to 50 percent of the taxes collected annually on the sale and processing of minerals, exclusive of coal, is transferred into the LGEAF for subsequent allocation and distribution to local governments. Quarterly payments to counties are determined by the amounts of mineral taxes paid. Distribution to cities is based on relative population.

Policy

Notwithstanding KRS 42.4585, the quarterly calculation and transfer of the funds to the LGEAF shall be made only after each quarterly installment of the annual appropriation of \$1,000,000 in each fiscal year of the biennium has been credited to the Trover Clinic Grant within the Governor's Office for Local Development.